

ORDER NO. 2171

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail Contract 80 (MC2014-23)
Negotiated Service Agreement

Docket No. CP2014-38

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued August 26, 2014)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 80, with Portions Filed Under Seal, August 15, 2014 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 2056, the Commission approved the Priority Mail Contract 80 negotiated service agreement (Existing Agreement).² On August 15, 2014, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On August 18, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service asserts that the Amendment will not materially affect the cost coverage of the Existing Agreement. *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment and the Existing Agreement. *Id.* at 2. Based on that review, he recommends that the Commission approve the Amendment. *Id.* He agrees with the Postal Service that the Amendment will not materially affect the cost coverage of the Existing Agreement because the Amendment does not change any of the negotiated rates, nor does it affect the calculation of costs. *Id.* He concludes that there is likely to be little, if any, change in costs or a material effect on cost coverage arising from the Amendment. *Id.*

² See Docket Nos. MC2014-23 and CP2014-38, Order Adding Contract Priority Mail Contract 80 to the Competitive Product List, April 16, 2014.

³ Order No. 2157, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, August 18, 2014.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 80, August 21, 2014.

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the Existing Agreement, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement sets shipping prices for the customer's Priority Mail packages.⁵ The Amendment changes the first-year minimum volume commitment. Amendment at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as Amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective one business day after the date that the Commission completes its review. The Existing Agreement, as Amended, is set to expire three years after the

⁵ Docket Nos. MC2014-23 and CP2014-38, Request of the United States Postal Service to Add Priority Mail Contract 80 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, April 4, 2014, Attachment B (Request).

initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.⁶

If the Existing Agreement, as Amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the Existing Agreement, as Amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the Amended agreement.

In conclusion, the Commission approves the Existing Agreement, as Amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 80 negotiated service agreement, as Amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as Amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as Amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and associated with the contract.

By the Commission.

Ruth Ann Abrams
Acting Secretary

⁶ Request, Attachment B at 3. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.